

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4967-01
Bill No.: HB 2144
Subject: Law Enforcement Officers and Agencies; Retirement - Local Government;
Retirement Systems and Benefits - General
Type: Original
Date: April 9, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	(\$3,000,000)	(\$3,000,000)	(\$3,000,000)

***DOES NOT REFLECT REDUCTION IN SURPLUS USED FOR FUTURE NEW ENTRANTS, BENEFIT PAYMENTS AND ADVERSE EXPERIENCE OF POLICE RETIREMENT SYSTEM OF ST. LOUIS OF APPROXIMATELY \$43.2 MILLION. POLICE RETIREMENT SYSTEM OF ST. LOUIS IS NOT CONSIDERED LOCAL FUNDS FOR FISCAL NOTE PURPOSES.**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

The **Joint Committee on Public Retirement** indicates that this legislation does represent a “substantial proposed change” in future plan benefits as defined in Section 105.660(5). Therefore, an actuarial cost statement as defined in Section 105.665 must be provided prior to final action on this legislation by either legislative body or committee thereof.

Pursuant to Section 105.670, this actuarial cost statement must be filed with 1) the Chief Clerk of the Missouri House of Representatives, 2) the Secretary of State and 3) the Joint Committee on Public Employee Retirement as public information for at least (5) legislative days before final passage of the bill.

An actuarial cost statement for this legislation has not been filed with the Joint Committee on Public Retirement. It would be impossible to accurately determine the fiscal impact of this proposed legislation without the actuarial cost statement prepared in accordance with Section 105.665.

Officials with the **Police Retirement System of St. Louis** assume the proposal would be an increase in the City’s contributions for the Plan Year of approximately 4.5% of covered payroll (\$3.0 million) if the changes proposed are adopted.

Oversight notes a reduction in surplus used for future new entrants, benefit payments and adverse experience of Police Retirement System of St. Louis of approximately \$43.2 million is not reflected.

Officials with the **Missouri Local Government Employees Retirement System** assume the proposal carries no fiscal impact to the retirement system.

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
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<u>FISCAL IMPACT - Local Government</u>	FY 2003	FY 2004	FY 2005
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<u>Costs - City of St. Louis</u>	<u>(\$3,000,000)</u>	<u>(\$3,000,000)</u>	<u>(\$3,000,000)</u>
Increased Contributions to Police Retirement System			

***DOES NOT REFLECT REDUCTION IN SURPLUS USED FOR FUTURE NEW ENTRANTS, BENEFIT PAYMENTS AND ADVERSE EXPERIENCE OF POLICE RETIREMENT SYSTEM OF ST. LOUIS OF APPROXIMATELY \$43.2 MILLION. POLICE RETIREMENT SYSTEM OF ST. LOUIS IS NOT CONSIDERED LOCAL FUNDS FOR FISCAL NOTE PURPOSES.**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill makes several changes regarding the St. Louis City police retirement systems. The bill:

- (1) Allows a member elected as chairman of the board of trustees to serve without limit;
- (2) Restricts board travel time, with compensation, to 30 days in any board fiscal year;
- (3) Clarifies the amount of service used in calculating survivors' benefits for members with less than two years of service in the deferred retirement option plan (DROP);
- (4) Allows for transportation fringe benefits to be included in the definition of earned compensation;
- (5) Clarifies when interest is to be added to a DROP distribution;
- (6) Allows a surviving spouse to receive a cost-of-living allowance (COLA); and

DESCRIPTION cont'd

(7) Changes the qualifications and calculation of the COLA for members from the current annual 3% with a maximum of 30%. The bill gives members having less than 25 years of service a 1% increase; members with 25 to 30 years of service a 2% increase; and members with more than 30 years of service a 3% increase. All COLAs are subject to a 30% maximum.

Under current law, the ad hoc COLA for retired members is \$10 times each year after age 60. The bill clarifies that a member cannot receive both COLAs, but can receive the higher of the two, subject to a 30% maximum.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement
Police Retirement System of St. Louis
Missouri Local Government Employees Retirement System
St. Louis City



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Acting Director
April 9, 2002